What's Behind Rising Prices?

A Socialist Labor Party statement on the high cost of living.

"What happens is that people who are no longer able to eat beefsteak start eating hamburger; from there they go to beans and then to dogfood, and then you see the price of beans and dogfood going up."

That's how Labor Secretary Ray Marshall recently described the economic squeeze on the nation's poor. And while most of us may still be a paycheck or two away from that kind of desperate poverty, we've all felt similar pressures. The steady, endless rise in prices has brought a heavy drag on our standard of living and is making the struggle for economic security a losing battle.

10-Year Treadmill

Sometimes the process is hard to see. Ten years ago, according to government figures, the average worker's take-home pay was $90.86. Today the average is $162.69, almost twice as much.

But the real story's something else. Because measured in constant dollars, meaning in terms of how much we can actually buy for the money, the average worker's buying power *dropped 38 cents* during that period. A decade of struggles and hard-won wage hikes left us 38 cents behind where we were.

Many working class families were able to keep afloat by taking on extra jobs, sending more members to work or going into debt. Some even inched ahead. But the treadmill still continues and prices keep moving up and up.

What's Pushing Up Prices?

Why has this been happening? Why has the cost of living risen over 80 percent in the past ten years, with housing and food costs even higher? Why are prices still rising at about a 7 percent rate even when we're swamped in a near-depression with unemployment at record levels?

There are basically two answers and they're not the ones we're usually given.

In the past we were often told that labor costs and wages were pushing up prices. Or that more unemployment was needed as a "trade-off" for less inflation. Well, today we've got both high unemployment and high inflation, and wage increases have always lagged behind price hikes. These "explanations" are simply attempts to blame the victims of inflation for causing it.

The real causes of constant price hikes lie elsewhere--with the federal government and monopoly corporations.

Unbalanced Budgets

Put in simple terms, the government causes inflation by spending money it doesn't have. This is called "deficit financing," and it enables the government to spend more than it takes in.

Deficit spending goes on under all administrations, Republican and Democratic, conservative and liberal. The "fiscal conservative" Nixon-Ford administrations, for example, ran up budget deficits of $235 billion.

A lot of this money goes to the Pentagon for the military machine. A lot goes to subsidize corporations who'd go out of business without "corporate welfare." A

portion goes for social services like education and health. These last funds are always cut first and singled out as the "main cause of inflation" by those trying to protect business subsidies and war spending.

But whenever the government spends money it doesn't have, it feeds inflation. By creating "new money" from thin air, it cheapens the buying power of the money that already exists and thereby drives up prices.

The government doesn't do this because it wants to. It *has* to. That's why no matter what politicians say about economic policy, they wind up doing the same thing. If the government didn't use deficit spending to try to patch up the economy, it would collapse. All the problems that capitalism creates would grow so acute the system would break down. And though the deficit spending "remedy" keeps pushing living costs higher, the system's like a drug addict that can't kick the habit.

Monopoly Control

There's another factor at work too. Monopoly pricing. This is one of the major reasons the cost of living no longer goes up and down, just up.

When a few giant corporations control the market for a certain product, like cars or tin cans, they are able to fix prices at higher levels. This not only allows them to take in more profits, but it also means they can keep prices high even when demand goes down.

This is exactly what's happened in the past few years. In 1974 and 1975, car sales dropped to relatively low levels. There were far more cars stocked up in lots than there were buyers. But the car companies didn't bring down their prices. In fact they raised them, so they'd make as much money on fewer sales.

With monopolies growing bigger all the time, this kind of price-raising pressure is getting stronger. The Federal Trade Commission has estimated that overall prices are as much as $100 billion higher each year because of monopoly power. (*That's about 10 percent of all prices each year.*) More than two-thirds of all sales in the U.S. take place in industries where just four firms dominate the market.

Getting Off the Treadmill

These two policies--federal deficits and monopoly pricing--work hand in hand. They combine to keep profits rising while real wages stand still.

They have something else in common too. Both are out of our control. While we workers built and operate the American economy, it's the major capitalists and their partners in government who control it. Until this is changed, the pattern described above and the lock it puts on our living standards cannot be fully broken.

There *are* solutions. But they don't lie in reforming this economy. They lie in changing it completely. The Socialist Labor Party thinks there are only two economic policies for working people to choose from: schemes to help the system that's crushing us survive or a revolutionary program to give workers complete democratic ownership and control of the means of life.

If you're tired of living with the first choice, find out more about the second.

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